

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 IO-14
/050 W

-----031694 180010Z /41

R 171534Z JAN 78

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 4351

INFO AMEMBASSY LONDON

AMEMBASSY BONN

UNCLAS PARIS 01423

E. O. 11652:N/A

TAGS: EAIR, FR

SUBJECT: CIVAIR: AIR FARES: EUROPEAN AIRLINE

ASSOCIATION VIEWS

1. ANTOINE VEIL (DIRECTOR GENERAL OF FRENCH AIRLINE UTA) IN HIS CAPACITY AS CHAIRMAN FOR 1978 OF THE ASSOCIATION OF EUROPEAN COMPANIES HAS WRITTEN SIGNIFICANT STATEMENT ON NORTH ATLANTIC AIR FARES SITUATION FOR JANUARY 13 ISSUE OF LE FIGARO.

2. PRINCIPAL ARGUMENT BY VEIL IS ADS FOLLOWS:

A. NEW U. S. ADMINISTRATION POLICIES JEOPARDIZE PRESENCE OF EUROPEAN, ESPECIALLY FRENCH, AIRLINES IN NORTH ATLANTIC.

B. SINCE 1970 EUROPEAN CARRIERS HAVE HAD A CUMULATIVE DEFICIT OF 12 TO 13 BILLION FRANCS (ROUGHLY \$2.5 BILLION) FROM NORTH ATLANTIC OPERATIONS WHICH THEY HAVE BEEN HARD PRESSED TO COVER BY TAX REVENUES (I.E. GOVERNMENT SUBSIDIES) AND BY PROFITS FROM OTHER ROUTES.

C. AMERICAN TOURISTS ARE THUS SUBSIDIZED BY EUROPEAN TAXPAYERS AND BY PASSENGERS ON OTHER
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ROUTES. THE SOCIAL BENEFITS OF AIR TRAVEL SHOULD BE FULLY COSTED AND PAID FOR BY CONSUMERS.

D. CARRIERS HAVE LONG SUFFERED FROM EXCESS CAPACITY ON THE NORTH ATLANTIC AND FROM A CONSTANT DETERIORATION IN THE VALUE OF REVENUES. RESPONSIBILITY FOR EXCESS CAPACITY HAD BEEN FAIRLY

SHARED BY AMERICAN AND EUROPEAN CARRIERS, A COOPERATION REINFORCED BY THE NEED TO FACE THE ENERGY CRISIS. THE NEW AMERICAN POLICY WILL CREATE NEW PROBLEMS WORSE THAN THOSE OF THE RECENT PAST.

E. THE NEW U.S. POLICY OF ELIMINATING ANY CAPACITY AND PRICE CONTROL IS PRESENTED AS IN THE INTEREST OF CONSUMERS. THE POLICY APPEARS NOT SO INNOCENT SINCE THE U.S. REFUSES TO APPROVE EUROPEAN CARRIER PROMOTIONAL FARES. THE POLICY ENCOURAGES WASTE OF FUEL AND CAPITAL CONTRARY TO STATED AIMS OF PRESIDENT CARTER'S ECONOMIC POLICIES.

F. THEREFORE ONE SHOULD CONCLUDE THAT THE REAL PURPOSE OF THE AMERICAN POLICY IS TO IMPOSE U. S. SUPREMACY ON THE NORTH ATLANTIC BY TAKING ADVANTAGE OF DIVIDED VIEWS IN EUROPE.

G. IF A CONCERTED POLITICAL REACTION BY EUROPEAN GOVERNMENTS DOES NOT COME QUICKLY, THE POSITION OF EUROPEAN COMPANIES, NOTABLY FRENCH, COULD BE COMPROMISED UNLESS THE TAXPAYERS COVER THE DEFICIT WHILE THE AERONAUTICAL INDUSTRY WOULD BECOME A VICTIM OF INCREASED DISORDER.

3. COMMENT: VEIL'S THEMES MAY BE TAKEN UP BY EUROPEAN GOVERNMENTS IN SUGGESTED ECAC-USG DISCUSSIONS RE AIR FARES SITUATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIR FARES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS01423
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780025-0747
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780155/aaaabugh.tel
Line Count: 95
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3762718
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: AIR FARES: EUROPEAN AIRLINE ASSOCIATION VIEWS
TAGS: EAIR, FR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8ccccfe2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014